
**ANNUAL
REPORT**

1972

NOTICE OF MEETING
INFORMATION CIRCULAR



FOR THE YEAR ENDED DECEMBER 31, 1972



DIRECTORS

A. C. MOSHER - - - - - Toronto, Ontario
C. R. ELLIOTT - - - - - Bowmanville, Ontario
M. P. CONNELL - - - - - Toronto, Ontario

OFFICERS

A. C. MOSHER - - - - - President
D. B. MacDERMOTT - - - - - Secretary
J. C. LAMACRAFT - - - - - Treasurer

HEAD OFFICE

TENTH FLOOR, 85 RICHMOND STREET WEST
Toronto, Ontario

TRANSFER AGENT AND REGISTRAR

NATIONAL TRUST COMPANY, LIMITED
Toronto, Ontario

AUDITORS

RIDDELL, STEAD & Co.
Toronto, Ontario

BANKERS

THE ROYAL BANK OF CANADA
Toronto, Ontario

SOLICITOR

D. B. MACDERMOTT
Toronto, Ontario

ANNUAL MEETING

June 28, 1973, 3:00 P.M.
Algonquin Room, Royal York Hotel
Toronto, Ontario





Tenth Floor
85 Richmond Street West
Toronto, Ontario
M5H 2G1

NOTICE OF ANNUAL AND GENERAL MEETING OF SHAREHOLDERS

To the Shareholders:

Notice is hereby given that the Annual and General Meeting of the Shareholders of Chimo Gold Mines Limited will be held at the Algonquin Room, Royal York Hotel, 100 Front Street West, Toronto, Ontario, Thursday, June 28, 1973, at the hour of 3:00 o'clock in the afternoon (Toronto time), for the following purposes:—

1. To receive the annual report of the directors.
2. To receive the financial statements of the Corporation for the year ended December 31, 1972, together with the auditors' report thereon.
3. To consider and if deemed appropriate, to ratify By-law A-8, being a by-law to increase the Board from 3 directors to 5 directors, and to change a quorum for a meeting of the Board from 2 directors to 3 directors.
4. To elect directors.
5. To appoint auditors and to authorize the directors to fix their remuneration.
6. To transact such other business as may properly come before the meeting.

By order of the Board of Directors,

D. B. MacDERMOTT,
Secretary.

Dated May 28, 1973.
Toronto, Ontario.

See Pages 9 to 11 for Information Circular.

Report of the Directors

To the Shareholders,
Chimo Gold Mines Limited,

Your directors submit herewith for your consideration the financial statements of the Company as at December 31, 1972, and your auditors' report thereon.

Activities of the Company are centered entirely in mining exploration, with the major emphasis during 1972 on the Sturgeon Lake Area, Province of Ontario.

Income received from The Iron Bay Trust in 1972 amounted to \$244,600. and was derived from a royalty on production of iron ore pellets from The Steel Company of Canada's Griffith Mine, located near Red Lake, Province of Ontario. As the Company owns 1,000,000 units of the Trust, income from this source establishes a firm base for the Company's exploration programmes.

The Company continues to hold a controlling interest in 257 mining claims in the Sturgeon Lake Area, Province of Ontario. Exploration work to date has included ground and airborne geophysics, geological reconnaissance, prospecting and diamond drilling. The properties cover a length of approximately seven miles in an east-west direction, situated three miles west of Mat-tabl Mines Limited. During the winter of 1972-73, a diamond drill programme tested geophysical conductors which had been previously located. Three holes, aggregating 1,953 feet, were drilled on the lake-covered portion of the mining claims. Hole #73-1 yielded 58 feet of up to ½% pyrite. Hole #73-2 yielded a 62 foot section of graphitic tuffs with up to 3% pyrite. Hole #73-3 yielded up to ½% pyrite and pyrrhotite within various portions of the hole. No further work will be undertaken before next winter.

GENERAL EXPLORATION

During the year, Conwest and its associates (the Conwest Group) participated in exploration expenditures as follows:—

Conwest Exploration Company Limited	\$1,156,300.
Central Patricia Gold Mines Limited	208,500.
Chimo Gold Mines Limited	260,400.
Calmor Iron Bay Mines Limited	166,700.
Total Cost to the Group ...	<u>\$1,791,900.</u>
Expenditure by others on projects in which the Conwest Group participated	530,000.
Total Exploration Exposure	<u>\$2,321,900.</u>

The joint exploration agreement between Conwest, Central Patricia Gold Mines Limited, Chimo Gold Mines Limited and Calmor Iron Bay Mines Limited, which came into effect January 1, 1972, sets out the terms of participation with Conwest in mineral exploration initiated after that date. All exploration costs related thereto and the interests earned are shared in the following proportions:—

Conwest Exploration Company Limited	} combined	66⅔ %
Central Patricia Gold Mines Limited		
Chimo Gold Mines Limited ..		20%
Calmor Iron Bay Mines Limited		13⅓ %
		<u>100%</u>

Pursuant to the joint exploration agreement related to exploration projects undertaken subsequent to January 1, 1972 referred to above, the following projects were carried out:—

British Columbia

The Conwest Group and two other partners supported a prospecting syndicate in British Columbia managed by Messrs. Bacon & Crowhurst of Vancouver. This prospecting program will continue in 1973.

Yukon Territory

Together with Jorex Limited, the Conwest Group supported a programme in the Klondike Goldfield. The geochemical results in this permafrost area were not impressive and the Conwest Group has withdrawn from the project.

Northwest Territories

The Conwest Group supported with others a prospecting syndicate managed by Cordilleran Engineering Limited seeking lead-zinc deposits in carbonate rocks. Although some mineralization was found, the Conwest Group have decided not to participate in the syndicate in 1973.

Ontario

An option to purchase was obtained on a group of claims at the western end of Sturgeon Lake adjoining the large claim block held by Chimo Gold Mines Limited. Geophysical surveys and diamond drilling carried out in conjunction with similar work on the Chimo claim block failed to find significant mineralization.

As a result of geological reconnaissance and mapping in the Sturgeon Lake area during the year, an option was obtained on a claim group on the south shore of Sturgeon Lake. Geophysical surveys were carried out over the geologically interesting part of the claim block early in 1973. Diamond drilling completed in March failed to encounter any commercial mineralization.

Vermont, U.S.A.

A programme of geophysical and geochemical reconnaissance was carried out in a former copper mining district by Prospecting Geophysics Limited on behalf of the Conwest Group. This programme has resulted to date in the acquisition of options to purchase two properties which will be drilled in 1973.

Montana, U.S.A.

During the year, the Conwest Group negotiated an option to purchase the Alta Mine property in Montana, where production of silver-lead-zinc from relatively narrow, good grade orebodies ceased prior to 1900. It is planned to diamond drill the host structure down dip and along strike from the previously mined ore zones.

Other Exploration Activity

Elsewhere in Canada and the United

States, properties were examined and prospecting, geological reconnaissance, air and ground geophysical surveys, and shallow diamond drilling were carried out. In Canada, this work took place in the Kamloops, B.C. area, in northern B.C., in the Yukon, in the middle and eastern parts of the Northwest Territories, in the Ruttan Lake area of Manitoba, in the Burchell, Onaman and Frond Lake areas of Ontario, and in north-western Quebec.

In early January, 1973, Kennco Explorations (Western) Limited accepted an offer from the Conwest Group to enter into an arrangement to explore and if warranted, develop its mineral claim holdings known as the Chappelle Prospect in the Toadog-gone River Area, 170 miles north of Smithers, British Columbia.

Geochemical reconnaissance and prospecting in the area by Kennco disclosed gold-silver bearing quartz veins on the 170 claim group. The principal gold-silver bearing quartz vein has been exposed intermittently by stripping for a strike length of 1,450 feet. Within this, a section of 350 feet long and 10 feet in average width is continuously mineralized with interesting values in both gold and silver.

The principal terms of the arrangement are that Conwest commits to spend \$250,000. within 12 months of an ascertainable date and has the right to spend a further \$750,000. within 30 months of the ascertainable date. At any time within the said 30 month period, Conwest may give notice of a production decision. Upon having spent an aggregate of \$1,000,000. and elected to commence production, it will acquire a 50% interest. Kennco's 50% interest is carried through production and Conwest recovers its expenditure as a first charge against 80% of the cash flow. The remaining 20% of cash flow will be paid in equal portions to Kennco and Conwest until Conwest's expenditures are repaid, at which time, the cash flow will be shared equally. Initial exploration currently in progress will consist of drifting on the vein 150 feet below the surface exposure and diamond drilling to locate the zone at greater depth. The estimated cost of this programme is \$300,000.

Your Company will continue its participation in the Conwest Group exploration on the same basis.

On Behalf of the Board,

A. C. MOSHER,
President.

Toronto, Ontario,
May 28, 1973.

(Incorporated in

BALANCE SHEET

(with comparative figures)

ASSETS

CURRENT	1972	1971
Cash and term deposits	\$ 124,852	131,351
Royalty receivable	61,800	55,500
Accounts receivable	4,519	7,859
	<u>191,171</u>	<u>194,710</u>
INVESTMENT IN MINING COMPANIES AND PROPERTIES		
(Notes 1 to 4)		
Shares with a quoted market value, at cost (indicated market value 1972 — \$4,248,500, 1971 — \$3,650,000)	713,350	600,000
Other shares, at cost	259,740	287,240
Mining properties, at cost and expenditures thereon	504,897	421,098
Machinery and equipment at estimated realizable value	37,912	37,912
	<u>1,515,899</u>	<u>1,346,250</u>
FIXED ASSETS at cost less accumulated depreciation of \$6,584 (1971 — \$17,404)	<u>3,569</u>	<u>12,199</u>
	<u>\$1,710,639</u>	<u>1,553,159</u>

On behalf of the Board:

A. C. MOSHER, Director.

C. R. ELLIOTT, Director.

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(laws of Ontario)

DECEMBER 31, 1972

(December 31, 1971)

LIABILITIES

CURRENT

	1972	1971
Accounts payable	\$ 27,377	4,963

SHAREHOLDERS' EQUITY

CAPITAL STOCK (note 6)

Authorized

5,000,000 shares, par value \$1 each

Issued

3,371,086 shares 3,371,086 3,371,086

Less discount 1,212,167 1,212,167

2,158,919 2,158,919

DEFICIT 475,657 610,723

1,683,262 1,548,196

\$1,710,639 1,553,159

AUDITORS' REPORT

To the Shareholders

CHIMO GOLD MINES LIMITED

We have examined the balance sheet of Chimo Gold Mines Limited as at December 31, 1972 and the statements of income and deficit and source and application of funds for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion these financial statements present fairly the financial position of the company as at December 31, 1972 and the results of its operations and the source and application of its funds for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Toronto, Ontario
March 29, 1973

RIDDELL, STEAD & CO.
Chartered Accountants.



STATEMENT OF INCOME AND DEFICIT

For the year ended December 31, 1972

(with comparative figures for the year 1971)

INCOME	1972	1971
Royalties	\$ 244,600	231,900
Dividends and interest	12,676	4,476
Gain on sale of investments	63,038	—
	<u>320,314</u>	<u>236,376</u>
EXPENSE		
General exploration and administrative together with the cost of current and prior years' direct exploration and development expenditures on mining claims and properties which were abandoned during year (Note 1)	173,488	101,541
Corporate	6,276	9,906
Depreciation	5,484	3,100
	<u>185,248</u>	<u>114,547</u>
NET INCOME FOR THE YEAR (Note 5)	135,066	121,829
Deficit at beginning of year	610,723	732,552
DEFICIT AT END OF YEAR	<u>\$ 475,657</u>	<u>610,723</u>

STATEMENT OF SOURCE AND APPLICATION OF FUNDS

For the year ended December 31, 1972

(with comparative figures for the year 1971)

SOURCE OF FUNDS	1972	1971
Royalties	\$ 244,600	231,900
Dividends and interest	12,676	4,476
Proceeds from sale of investments	116,781	—
	<u>374,057</u>	<u>236,376</u>
Less purchase of investments	139,592	—
	<u>234,465</u>	<u>236,376</u>
APPLICATION OF FUNDS		
Expended upon exploration and development of mining claims including general exploration and administrative costs ...	268,187	286,933
Less recovered from others	7,769	—
	<u>260,418</u>	<u>286,933</u>
DECREASE IN WORKING CAPITAL	25,953	50,557
Working capital at beginning of year	189,747	240,304
WORKING CAPITAL AT THE END OF YEAR	<u>\$ 163,794</u>	<u>189,747</u>



NOTES TO FINANCIAL STATEMENTS

December 31, 1972

1. ACCOUNTING POLICY

The company's policy is to write off all general exploration expenditures incurred during the year and to capitalize the direct cost of acquisition and expenditure on mining properties which were in good standing at the year end. Upon disposal or abandonment of such interest the net gain or loss is reflected in the statement of income and retained earnings.

2. SHARES WITH A QUOTED MARKET VALUE, AT COST

	December 31, 1972			
	No. of Shares	% of Outstanding Capital	Cost	Indicated Market Value
Calmor Iron Bay Mines Limited	1,000,000	39.1%	\$120,000	480,000
Iron Bay Trust	1,000,000	39.1%	480,000	3,650,000
Other investments with a quoted market value			113,350	118,500
Total cost and indicated market value December 31, 1972			<u>\$713,350</u>	<u>4,248,500</u>
Total cost and indicated market value December 31, 1971			<u>\$600,000</u>	<u>3,650,000</u>

3. OTHER SHARES, AT COST

	December 31, 1972		
	No. of Shares	% of Outstanding Capital	Cost
Lake Osu Mines Limited	831,500	22%	\$ 196,155
Uranium Ridge Mines Limited	532,655	21%	63,585
Total cost December 31, 1972			<u>\$ 259,740</u>
Total cost December 31, 1971			<u>\$ 287,240</u>

4. MINING PROPERTIES, AT COST AND EXPENDITURES THEREON

Balance at beginning of year	\$ 421,098
Prior years' expenditures charged to operations	15,301
	<u>405,797</u>
Current years' expenditures capitalized	99,100
Balance at end of year	<u>\$ 504,897</u>

5. INCOME TAXES

No provision for income taxes is required because the company is in the three year tax exempt period as provided by the Income Tax Act. The exemption covers the period December 1, 1969 to November 30, 1972. As at December 31, 1972 the company had exploration and development expenditures available to apply against otherwise taxable income of future years.

6. CAPITAL STOCK

Options to an officer are outstanding pursuant to the terms of an employees' incentive stock option agreement on 30,000 shares of capital stock of the company at \$1.60 per share. Options are exercisable during the currency of employment and within 30 days after termination of employment, and, in any event, expire on February 28, 1974.

7. EXECUTIVE REMUNERATION

The aggregate remuneration paid to the directors and senior officers (as defined by The Business Corporations Act, 1970), totalled \$13,600 (1971 — \$25,870).



INFORMATION CIRCULAR

Solicitation of Proxies

This statement is furnished by the management of Chimo Gold Mines Limited, hereinafter called the "Corporation", in connection with the solicitation of proxies for use at the Annual and General Meeting of the Shareholders of the Corporation to be held on Thursday, June 28, 1973, at the Algonquin Room, Royal York Hotel, 100 Front Street West, Toronto, Ontario, at 3:00 o'clock in the afternoon (Toronto time), for the purpose set out in the accompanying notice of meeting.

Solicitation is being made by mail, which may be supplemented by telephone or other personal contact, to be made without special compensation by officers and employees of the Corporation. The Corporation will bear all expenses in connection with the solicitation of proxies but the Corporation will not reimburse shareholders, nominees or agents for any costs incurred in obtaining from their principals instruments of proxy or authorization to execute such proxies.

IN THE EVENT OF YOUR NOT BEING PRESENT AT THE ANNUAL AND GENERAL MEETING, THE MANAGEMENT OF THE CORPORATION SOLICITS YOUR PROXY AND YOU ARE REQUESTED TO FILL IN, DATE, SIGN AND RETURN THE ENCLOSED INSTRUMENT OF PROXY.

The shares represented by such proxy will be voted at the meeting and, where a choice with respect to any matter to be acted upon has been specified in the proxy, the shares, subject to The Business Corporations Act, 1970, of the Province of Ontario, will be voted in accordance with the specification so made. WHERE NO CHOICE IS SPECIFIED WITH RESPECT TO ANY MATTER, THE SHARES SO REPRESENTED WILL BE VOTED IN FAVOUR OF SUCH MATTER.

Revocability of Proxy

Any proxy given by a registered shareholder may be revoked by notice in writing executed by the shareholder or his attorney authorized in writing or, if the shareholder is a corporation, under its corporate seal or by an officer or attorney thereof duly authorized and deposited either at the head office of the Corporation at any time up to and including the last business day preceding the day of the meeting, or any adjournment thereof, at which the proxy is to be used, or with the chairman of the Annual and General Meeting on the day of the meeting or adjournment thereof which shall be a valid revocation of such proxy, except as to any matter in which a vote may already have been cast pursuant to the authority conferred by such proxy.

Voting Shares and Principal Holders Thereof

As of May 28, 1973, the authorized capital of the Corporation is 5,000,000 shares with a par value of \$1 each, all of which carry one vote, and of which 3,371,086 shares are issued and outstanding as fully paid and non-assessable. Only shareholders of record on June 28, 1973, the date of the Annual and General Meeting, are entitled to vote thereat. The registered holders of all issued shares are entitled at the Annual and General Meeting to one vote for each share held.

To the knowledge of the directors and senior officers of the Corporation, the following are the only shareholders beneficially owning, directly or indirectly, 10% or more of the issued and outstanding shares of the Corporation.

<u>Name</u>	<u>Approximate Number of Shares Beneficially Owned</u>	<u>Percentage of Outstanding Shares</u>
Calmor Iron Bay Mines Limited	500,000	14.8
Conwest Exploration Company Limited	670,000	19.8

To the knowledge of the directors and officers of the Corporation, the following nominee together with associates as defined in Section 1.1(1)3. of The Business Corporations Act, 1970, of the Province of Ontario, hold 10% or more of the issued and outstanding shares of the Corporation.

Ian F. T. Kennedy 1

Associates:

Central Patricia Gold Mines, Limited	218,900	
Conwest Exploration Company Limited	670,000	888,900
		<u>888,901</u>

By-law Number A-8

BE IT ENACTED as a Special By-law of the Corporation as follows:

1. The number of directors of the Corporation is hereby increased from three to five so that the board of directors of the Corporation shall hereafter be composed of five directors.
2. Three directors shall constitute a quorum at any meeting of the board of directors.
3. All prior by-laws, including Article 29 of By-law Number A-1 of the Corporation inconsistent herewith are hereby amended, modified and revised to give effect to this By-law.

PASSED by the directors this 28th day of May, 1973.

Election of Directors

The board of directors consists of three directors who are elected at the Annual Meeting to serve until the next Annual Meeting or until their successors are elected or appointed. It is intended to vote the shares represented by the proxies received pursuant to this solicitation by management for the election of the three nominees who are listed below. In the event that any vacancy occurs in the slate of nominees submitted herewith, which is not anticipated, it is intended that the persons named in the accompanying instrument of proxy reserve the right to vote for another person of their choice in place of the nominee who is unable to serve as a director. The names and pertinent information with respect to each of the nominees for election as directors as reported by each is shown below, including the year in which each nominee first became a director of the Corporation:

<u>Proposed Nominees</u>	<u>Principal Occupation or Employment</u>	<u>Director From</u>	<u>Number of Corporation Shares Beneficially Owned</u>
Alexander C. Mosher President and Director	President, Chimo Gold Mines Limited	March 20, 1958	5,201
Charles R. Elliott Director	President, Conwest Exploration Company Limited, a mining exploration company	December 13, 1971	1
Martin P. Connell Director	Executive Vice-President, Conwest Exploration Company Limited	December 13, 1971	1

In the event that By-law Number A-8 is ratified it is intended to nominate Mr. Ian F. T. Kennedy and Mr. John C. Lamacraft to be directors and vote the proxies for their election. The pertinent information concerning Mr. Kennedy and Mr. Lamacraft is as follows:

<u>Proposed Nominees</u>	<u>Principal Occupation or Employment</u>	<u>Number of Corporation Shares Beneficially Owned</u>
Ian F. T. Kennedy	Vice-President, Conwest Exploration Company Limited	1
John C. Lamacraft Treasurer	Treasurer, Conwest Exploration Company Limited	1

Remuneration of Directors and Senior Officers

The aggregate direct remuneration paid by the Corporation during the year ended December 31, 1972, to the directors and senior officers was \$13,600.

Appointment of Auditors

It is proposed that Riddell, Stead & Co., Chartered Accountants, the present Auditors, be reappointed as auditors of the Corporation, to hold office until the next Annual Meeting of shareholders at a remuneration to be fixed by the board of directors of the Corporation. Riddell, Stead & Co. have been the auditors of the Corporation for more than five years.

Other Business

The management of the Corporation is not aware of any matters to be presented for action at the meeting other than those listed in the notice of meeting. However, if other matters properly come before the meeting, it is the intention of the persons named in the accompanying instrument of proxy to vote the said proxies in accordance with their best judgment on such matters.

By Order of the Board of Directors,

D. B. MacDERMOTT,
Secretary.

DATED May 28, 1973.
Toronto, Ontario.

